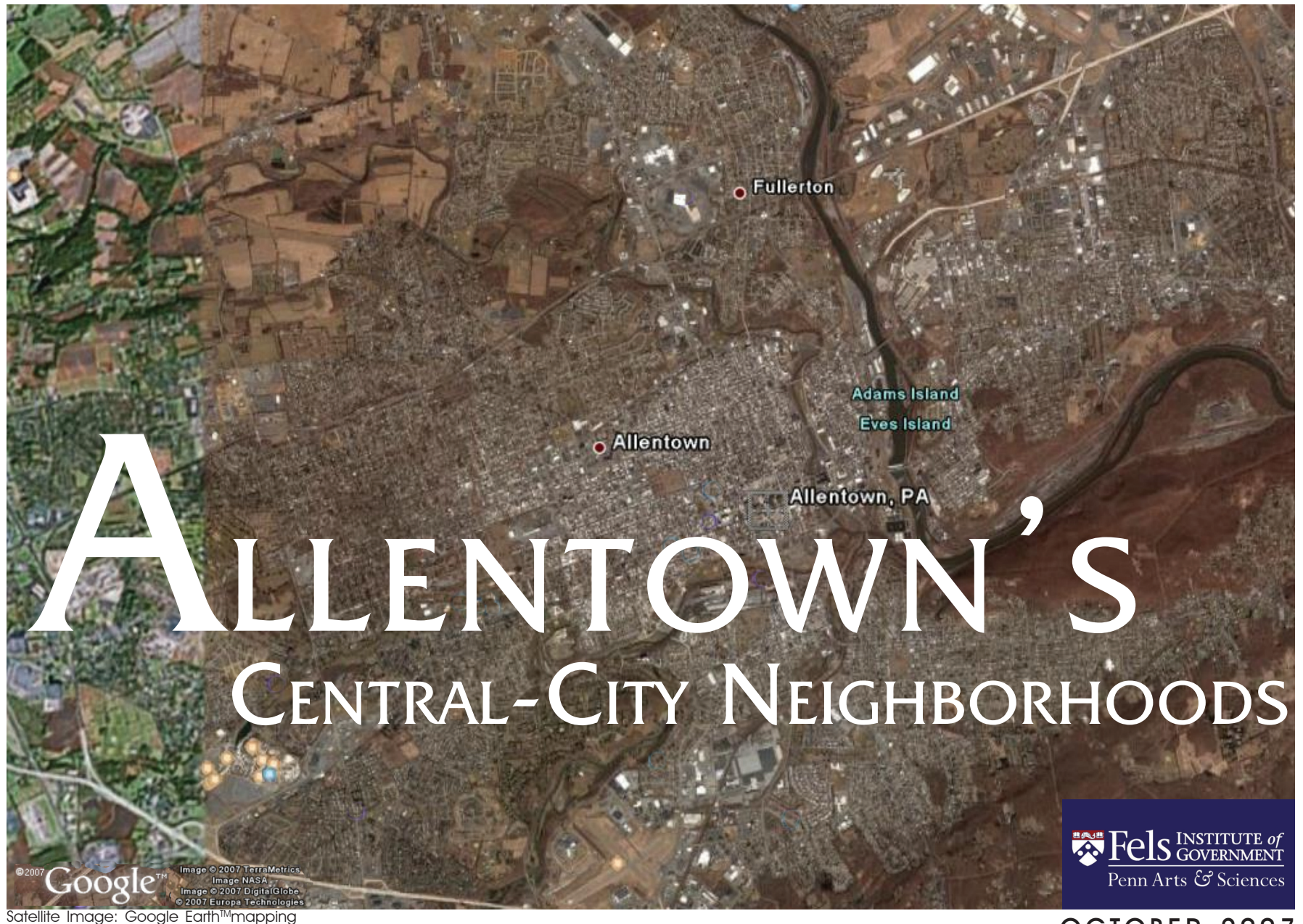


A HOUSING STRATEGY FOR



ALLENTOWN CENTRAL-CITY NEIGHBORHOODS



INTRODUCTION

Allentown has an extraordinary resource that many U.S. cities would envy—a cluster of older residential neighborhoods surrounding the downtown business district—but Allentown’s central-city residential core is one of the region’s biggest problem areas.

Although Allentown’s downtown neighborhoods possess competitive advantages that many Pennsylvania cities wish they had, the economic value of these neighborhoods to the city and region has diminished rather than grown.

Problems of the Central City

Evidence of this contradictory situation is widespread.

- Property values are increasing, thanks to the influence of the New York and northern New Jersey real estate markets. But instead of stimulating reinvestment in Allentown’s downtown-area neighborhoods, this growth in value is fueling speculation and an unproductive inflation of property sales prices, making it harder for homebuyers and responsible developers to purchase and upgrade housing in these neighborhoods.
- Two Fortune 500 companies, many businesses, and several academic and health care institutions are located in or near the downtown business district. However, because downtown-area neighborhoods are viewed as unattractive and unsafe, employees drive away to homes elsewhere in the city and region at the end of the day, leaving behind an empty and isolated city center.

- Allentown has relatively few vacant and abandoned houses, while some smaller Pennsylvania cities have thousands. However, due to conversions of single-family to multi-family properties, the overcrowding of rental housing, and significant instances of rental property mismanagement in violation of health and safety standards, the deterioration of existing occupied housing has become, in some respects, a greater challenge than the housing-abandonment problems confronting other cities.

Needed: An Asset-Management Strategy

These problems all have a single cause: central-city neighborhoods have not been managed as an economic asset that can and should generate significant added value to the city and region. Without a comprehensive asset-management strategy that is designed to maximize benefits to the citizens of Allentown and Lehigh County, economic opportunities in downtown-area neighborhoods are defaulted to real estate investors, some of whom have aggressively pursued financial gain in a manner that is contrary to the economic interests of the city and region.

The lack of an asset-management strategy for Allentown’s central-city residential communities is not simply a city-government problem that can be solved through the creation of a new program or the deployment of municipal workers; it’s a challenge that can only be addressed through interaction, cooperation, and collaboration involving neighborhood, business, institutional, and government interests and through leadership, policy development, and capacity-building within the city and region.

This publication describes a framework for the asset-management strategy that Allentown’s central-city neighborhoods desperately need. If all of the elements of this strategy are adopted and implemented, conditions in the city’s downtown-area neighborhoods and the central business district will improve, generating significant economic benefit to the city, county, and region. Without a constructive, wide-ranging asset management approach, conditions in Allentown’s core neighborhoods will continue to deteriorate.

VISION

Allentown needs to reposition itself for success in the 21st-century global economy—and a strong central city housing market is critical to future success.

In the 19th- and early 20th-century economy, industry, labor, housing, and retail services were concentrated in many of Pennsylvania's urban centers, including Allentown. However, subsequent advances in technology, communications, and transportation systems significantly reduced the dependence of investors and business owners on a place-based concentration of economic resources. By the turn of the century, many businesses had the ability to locate in suburban, exurban, or rural locations—or in multiple locations around the country or globe—if it was advantageous for them to do so.

Neighborhood Transformations

As a consequence of this economic transformation, many city-based manufacturing firms lost their competitive edge and dissolved, moved out, or were absorbed into new-economy businesses that had no dependence on or allegiance to cities such as Allentown. For these cities, the result was a loss of businesses, a decline in employment, and the replacement of middle- and upper-income city residents by residents with incomes lower than the regional median, with a substantial number below poverty level.

During the coming years, Allentown needs to replace its old-economy identity as a manufacturing center with a new-economy identity as a great place to live, work, attend school, or play, for an



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economically and culturally diverse population. To achieve this new status, Allentown needs to strengthen local leadership, improve the quality of municipal services and public education, improve the downtown retail district, attract new businesses, and, through education and training, prepare more city residents to qualify for good jobs in the mainstream regional economy. As important,

Allentown's central-city neighborhood housing market has to establish itself as one of the strongest real estate markets in the region—as a market that offers consumers a variety of attractive housing types on stable, well-maintained neighborhood blocks near high-quality schools, stores, parks and playgrounds.

Other cities that have experienced a level of past economic disinvestment comparable to Allentown's are now beginning to achieve success in adapting to the challenges and opportunities of the new economy. Every one of these cities has a strong, attractive housing market in its central-city neighborhoods.

Key Issues

In order to stabilize and strengthen the housing market in downtown-area neighborhoods, Allentown has to address two kinds of issues simultaneously:

- **Upgrade existing housing stock:** redevelop over-built blocks or lots in order to reduce density and improve livability; remove archaic, substandard, obsolete buildings; support the rehabilitation of vacant or substandard housing; promote infill housing construction on vacant land, designed to complement the existing urban fabric; and
- **Improve the quality of rental property management and maintenance:** establish and enforce higher standards of responsibility for owners, landlords, and tenants; and improve the owner-occupant/absentee-owner ratio.

Strategic Challenges

Allentown's proximity to high-priced New York and northern New Jersey housing markets have made the city a magnet for outside investors who are attracted to the city's relatively low real estate values. The worst-intentioned of these investors view Allentown as a place where they can buy a property at a bargain price, maximize rental income

with little or no upgrading (sometimes by illegally increasing density and/or avoiding compliance with City codes), and then sell for a much higher price and a substantial profit. The results of this trend: a significant increase in absentee owners; a growing number of Allentown properties advertised on the Internet at inflated prices; an increase in the number of houses converted from single- to multi-family use; an increase in the number of houses converted from owner- to renter-occupied; an increase in rental housing overcrowding; and a disproportionate number of code violations and Police and Fire Department service calls associated with a small but significant number of problem properties.

Many of the large cities where these problems typically occur have a municipal infrastructure that includes experienced staff and up-to-date technology, complemented by an enforcement system backed by judicial action to impose sanctions when necessary. Allentown's predicament stems from the fact that, until recently, it has been using small-city remedies to try to address big-city problems. As a result, Allentown has been experiencing most of the disadvantages and few of the advantages associated with proximity to strong real estate markets.

Recommended Approach

To address these serious challenges, Allentown has to employ a more strategic approach to defending the city against irresponsible investors and owners, while simultaneously offering more opportunities for constructive investment to improve



Turner Street near West Park

the economy of the city and its neighborhoods. Although funding limitations are a serious problem in every postindustrial city, most of the actions recommended in this report can be undertaken with little or no new expenditure of public funds—and several of them will generate increased revenue for the city, starting in the first year of implementation.

SYNERGY

Investment and development plans for the downtown business district and adjacent central-city residential neighborhoods must be designed to reinforce and support each other; unless this mutually supportive relationship can be established, neither the business district nor the downtown-area neighborhoods will be as successful as they need to be.

The Revitalized Downtown

In a revitalized older city, the downtown area is a regional center of employment, housing, and retail services. Many people who work in the business district live there or in adjacent neighborhoods. Residents of downtown-area neighborhoods patronize grocery stores, coffee shops, restaurants, clothing stores, bookstores, pharmacies, hardware stores, and movie theatres located on downtown retail corridors, and most of these businesses stay open during evening hours. On weekend nights and some weeknights, college students, couples, and families travel from the suburbs to downtown dining and entertainment destinations, and the downtown streets are filled with people. Increased tax rates associated with these activities support the cost of police overtime to ensure that streets and public spaces are safe. The police presence is supplemented by uniformed business improvement district “ambassadors,” who work in coordination with the police as an additional “eyes on the street” resource and as a source of information and assistance for visitors to the downtown area.



View of center city looking down Linden Street

Business District/Neighborhood Linkage

Establishing and sustaining this synergy between the downtown business district and central city neighborhoods is not an option—it is a necessity. During the past decade, large cities such as Philadelphia and smaller cities such as Harrisburg have made significant progress in creating a stronger, mutually reinforcing relationship between their downtown business districts and downtown-area neighborhoods; Allentown has not been able

to do so. Instead, the core of the Allentown business district operates largely on a nine-to-five basis. For the most part, employees in major downtown businesses do not live in downtown-area neighborhoods; it appears that many of them do not even live in the city. The downtown retail district does not provide a sufficient range of quality shopping options to attract central-city neighborhood residents and to enable the downtown to compete effectively with nearby retail centers in the vicinity of US 22 and elsewhere. The quality and number of eating, drinking, and entertainment attractions is not sufficient to draw a substantial number of patrons from the region, and the downtown’s isolated appearance during the evening hours makes it an unlikely destination for visitors from the region.

Allentown needs to learn from the successful experience of other cities that have revitalized their downtown districts and downtown-area neighborhoods in order to make the city’s core more attractive to workers, residents, and visitors.



Behind the Butz building at 9th and Hamilton Streets are rows of townhouses.

Years of work are required to create and maintain effective synergy between the business district and adjacent neighborhoods. However, if Allentown achieves the following three goals during Year One, the current status of the downtown business district and downtown-area neighborhoods will begin to improve almost immediately.

Goal One: Approve and Promote the Updated Zoning Code.

Allentown's commitment to update the zoning code in order to make the code more relevant to 21st-century development opportunities should be applauded. Leaders in other Pennsylvania cities have not even begun to think about the need to update their zoning codes. Allentown's updated zoning code will make it easier for developers to convert former office, industrial, and retail spaces for residential use and to develop more residences

above ground-floor retail establishments. The updated code will also protect the urban fabric and pedestrian-friendly character of the surrounding neighborhoods. The updated code should be approved, then publicized and promoted to prospective developers.

Goal Two: Consider Offering Developers a Generous Financial Incentive.

After years of unsuccessful experimentation with short-term, capped, or phased real estate tax abatements to encourage downtown development, the City of Philadelphia in 1997 offered a 100 percent tax abatement to encourage the conversion of office and industrial buildings to residential use. The abatement applied to the increased market value associated with the conversion project; pre-existing value remained taxable. After this incentive proved highly successful, it was broadened to include almost every kind of residential rehabilitation and new construction project. The result has been an unprecedented and sustained increase in development activity downtown and in central-city neighborhoods. More information on this incentive can be found at http://www.fels.upenn.edu/neighborhood_recovery/reports/PhiladelphiaResidentialTaxAbatements.pdf

An ambitious tax incentive that is applicable across the board to all kinds of development is well worth considering. Although any such incentive should be offered citywide, the business district and downtown-area neighborhoods are likely to be the biggest beneficiaries of this initiative.

Goal Three: Launch a "Clean and Safe" Initiative.

A well organized "clean and safe" initiative:

- supplements city services with trained staff who keep the downtown core attractive and secure,
- helps promote downtown as a desirable place to work, shop, visit, or live, and
- is guided by key business leaders who, in coordination with local and county government officials, pursue future opportunities for investment and development.

A clean and safe initiative does not necessarily require the levy of a property tax assessment to fund operating costs. In some cities, a combination of government, corporate and charitable foundation contributions has provided sufficient funding support without the need for a tax assessment. An initiative of this kind in Camden, New Jersey—a city that is far more disadvantaged than Allentown—is one of several successful examples of the latter approach.

LEGISLATION

Allentown's current regulatory structure is not a strong enough defense against exploitative investors, negligent rental property owners, and disruptive tenants; new or redrafted laws are needed to make code enforcement more effective.

A Preventive Approach

Legislation is a blunt instrument: the enactment of new laws will not be sufficient to reverse a pattern of long-term disinvestment and revitalize a post-industrial city. However, legislative action to support a responsive and reliable enforcement process is essential in every city. Allentown needs to follow the lead of other municipalities in enacting or amending local legislation that will strengthen city oversight of property development and maintenance—particularly in downtown-area neighborhoods where code enforcement is critical—while continuing to encourage responsible investment and high-quality property management.

Most states, including Pennsylvania, have a tradition of bias in favor of the “right of ownership.” This bias is reflected in state legislation that makes it very difficult for a municipality to seize a poorly-maintained property or punish its owner without completing a lengthy sequence of due-process actions. Opportunities for direct intervention are limited (one exception is described in the Receivership section of this report). For this reason, it is important for local governments to authorize legislation that has a preventive orientation, in order to stop future problems associated with property maintenance and property management from becoming critical—or from occurring at all.



City Hall

Limitations on Eminent Domain

In a negative reaction to the US Supreme Court's 2005 decision in the *Kelo v. New London* case (in which the court upheld the right of a municipality to use eminent domain powers to seize property in the name of “economic development”), many states, including Pennsylvania, have enacted or are considering the passage of legislation that severely reduces the use of eminent domain powers. Although cities such as Allentown still have the ability, through the Redevelopment Authority, to use eminent domain to acquire vacant, abandoned properties or buildings that are in such blighted condition that they pose a threat to public safety,

the anti-*Kelo* backlash may result in the imposition of additional restrictions on eminent domain in the future. This possibility makes the need for a preventive approach even more critical going forward.

Opportunities for Local Action

Fortunately, municipalities do have the ability to enact legislation that can support the screening, licensing, monitoring, and regulation of rental properties. Allentown should draw from the experience of other cities in order to design or strengthen local legislation that will do the most to promote the stabilization and improvement of central-city neighborhoods.

The City's legislative agenda should include measures to support code enforcement in the following manner.

■ **Rental License**

Redefine the Rental Unit License as a license granting permission to operate a rental unit in the City of Allentown for the calendar year in which the license is granted; currently, licenses remain in effect for five years, subject to payment of the annual license fee.

■ **Administrative Hearing Board**

Designate an administrative hearing board to rule on complaints brought by City code enforcement officers, and give the board the power to revoke a rental license for up to one year and/or impose fines for noncompliance. Change the License Reinstatement clause in order to give the board the power to extend revocation terms. Require the owner or owners of a rental property (including all principals in a limited-partnership owner entity) to register their legal addresses—no post-office box addresses permitted.

■ **Rental License Surcharge**

Add a surcharge to the yearly rental license fee payable by out-of-County rental property owners based on the added cost of administering and enforcing the standards through the County judicial district.

■ **Multiple-Property Owners**

In the event that a complaint against a rental property owner who owns several properties in Allentown is referred to the administrative hearing board or the judicial system, require all of

the owner's other buildings to be inspected and any code violations to be corrected prior to resolution of the initial complaint.

■ **Rental Agent**

Require any rental property owner located outside Lehigh County to appoint and register a Lehigh County-based rental agent who will be legally responsible for addressing any violations of City codes (Allentown currently requires the identification of a rental agent for service-of-process purposes only; the agent has no legal exposure).

■ **Abatement of Code Violations**

Provide a more precise and broader description of the extent to which the City can take direct action, through the use of City personnel or contracted services, to abate a serious code violation or address structural and major systems problems that create a health and safety threat. Administrative fees charged to provide these remedial services should be set at levels that offset the true costs that the City incurs to administer the abatement. At the same time, the City should adopt a more aggressive approach to collecting and recovering costs associated with code violation abatement, rather than continuing the current practice of waiting to do so until the property is sold.

■ **Evacuation of Unsafe Buildings**

Give the City the power, backed by written administrative policies and procedures, to require the immediate evacuation of unsafe buildings (existing law provides a 30-day window).

■ **Posting of Occupancy Limits**

Require the posting of a sign in each rental unit specifying the maximum number of persons legally permitted to occupy the unit.

■ **Payment of Per-Capita Tax**

Prohibit rental property managers from executing leases with tenants who have not paid the \$20 per-capita tax (at present, the City is not collecting about a third of the per-capita tax revenue to which it is entitled).

■ **Pre-Sale Inspections**

Described in the "Inspections" section of this report.

The City should also join with other municipalities to seek action by the state General Assembly to strengthen provisions of Pennsylvania's municipal code avoidance legislation. This legislation, which had been designed to give cities the power to aggressively prosecute negligent and unresponsive property owners, is too cumbersome and time-consuming in its present form. An amended version of this legislation should call for penalties to be imposed following a second conviction for non-compliance (rather than a fourth or fifth conviction, as provided in the existing law).

STRATEGY

Over the years, city agencies and nonprofit organizations have completed many useful studies and plans; now city agency staff and community members need to produce an implementation strategy for each downtown-area neighborhood to guide the implementation of this areawide housing strategy and address human capital and quality-of-life issues.

Without a guiding strategy, improvement efforts will be viewed as fragmented and uncoordinated, and will be unlikely to have a significant impact on the neighborhood economy. A well-organized neighborhood strategy documents how available resources are to be used each year in order to pursue the best opportunities to significantly upgrade the physical environment and improve the prospects for longer-term investment.



Above: In the heart of center-city, a vacant city-owned property on Law Street Right: 800 block of Hamilton Street



To complement the areawide housing strategy described in this report, an effective neighborhood strategy should:

- Contain an up-to-date description of existing conditions, including a community asset survey (an inventory of significant neighborhood-based facilities, institutions, and service providers) and a vacant/distressed property list, displayed on a GIS-generated map that can be posted online;
- Assess the strengths and weaknesses of neighborhood real estate markets and determine the blocks or subareas that present the best prospects for “market-rate” housing development or associated retail development;
- Describe opportunities to reduce density and congestion and develop open space amenities or parking.
- Identify poorly located or poorly built properties to be recommended for demolition.
- Summarize “human capital” issues— such as crime, poor quality public schools, the lack of access to training leading to good jobs, the lack of access to jobs, and a variety of “quality of life” concerns— and begin to address these issues through a planning/organizing process that accompanies the strategy for bricks-and-mortar development and improvement; and
- Get community members involved in a dialogue about the future of their neighborhood, and seek to reach a consensus on investment goals and priorities and how to use available resources and tools to achieve them. Through programs such as Adopt-a-block, the Mayor’s Clean

Block Initiative, and Properties of Merit/Allentown Service Corps, promote neighborhood pride and a sense of community ownership. Consider establishing a “Citizens Property Inspections Program” organized through existing neighborhood or crime watch groups.

A neighborhood strategy is different from a traditional master plan or comprehensive plan. Unlike conventional plans, a neighborhood strategy is a guide for action to achieve measurable impacts within a specified period of time. Because of the certainty that federal funding for housing and community development activities will continue to decline, the need to be pragmatic about goal-setting and resource allocation will remain critical. A neighborhood strategy provides a frame of reference that can be used to monitor the performance of investment activities and evaluate results. When documented in published form, the strategy can be a valuable marketing and promotion tool that can stimulate interest in the neighborhood as a place of opportunity.

Community Organizing

Allentown’s existing Weed and Seed program provides a potential base for community organizing to promote neighborhood strategic planning and encourage community members to participate in activities leading to the completion of a neighborhood strategy. Through collaboration between Weed and Seed, existing neighborhood/civic organizations, and local community development corporations, a high level of participation in neighborhood strategic planning can be achieved.

Work Plan and Timetable

In addition to addressing people-related needs and quality-of-life issues, the neighborhood strategy should include a work plan and timetable for addressing housing issues in site-specific terms, in order to ensure that priority attention is devoted to the most significant neighborhood problems and the most promising neighborhood investment opportunities. The work plan and timetable should include the following:

- Organization of property inspection schedule.
- Identification of properties to be acquired for rehabilitation or new development.
- Identification of deteriorated and/or poorly located properties to be demolished.
- Development of a plan to promote housing preservation and home improvement/repair activities.
- Identification of blighted buildings and vacant lots.
- Identification of buildings that should be regarded as public nuisances, either because of code-related issues or because of criminal or disruptive activities by occupants.
- Identification of multi-family properties that offer the best prospects for deconversion to original single-family status.
- Identification of best sites for middle- and upper-income housing development.

ACQUISITION

A stronger local-government role in the acquisition of deteriorated or vacant properties will facilitate strategic investment in target areas and prevent or restrict the purchase of properties by negligent owners while increasing purchase opportunities for owner-occupants.



A derelict building for sale on Chestnut Street across from the Harrison-Morton Middle School.

Broader use of public-sector resources for strategic property acquisition can provide substantial benefit to the neighborhoods adjacent to Allentown's downtown district. Following acquisition by local government, a building or lot can be introduced into the development pipeline and ultimately conveyed for development and a reuse that is consistent with a City- and community-supported neighborhood strategy. As important, public-sector intervention to acquire key properties reduces the opportunity for speculators and irresponsible investors to buy and stockpile real estate in anticipation of future gains.

Mortgage and Tax Foreclosure

Properties that are subject to mortgage and tax foreclosure are auctioned at the county-administered upset sale and free-and-clear sale, through which each property is awarded to the highest bidder. The legislation upon which this public auction process is based does not require that consideration be given to a bidder's experience and qualifications, ability and commitment to upgrade a property consistent with city codes, or past experience as a property owner in Allentown—the high bidder gets the property, without reference to these factors. In light of this limitation, investors who already own poorly-maintained properties in Allentown that are not in compliance with city codes have the ability to acquire more properties at these sales and create new problems for the City and community.

Negotiated Purchase

Although some properties advertised for sale in the local real estate market are priced at unrealistically high levels, there are opportunities to acquire distressed or vacant properties at reasonable prices through negotiated purchase. Some of these properties could be acquired, rehabilitated, and sold to responsible owners—but the City does not have an acquisition fund to support the purchase of these properties.



Vacant building on 6th Street

Eminent Domain

As indicated in the Legislation section, many states, including Pennsylvania, have enacted or are considering enacting legislation that significantly limits the ability of government to use eminent domain powers to acquire property. However, relatively few of the opponents to *Kelo* have suggested that cities such as Allentown should not use public powers to take control of properties that have been abandoned or neglected for years. Due to limitations of funding and insufficient intergovernmental coordination, Allentown has not made full use of its eminent domain powers to acquire problem properties for subsequent development and occupancy consistent with City and community reinvestment goals.

ACQUISITION



Property acquisition costs money—but a strategic approach to property acquisition in the neighborhoods adjacent to downtown could pay for itself. City acquisition of distressed or vacant properties through bidding at public auction, negotiated purchase, and selective use of eminent domain would create an inventory of real estate that could be developed by capable nonprofit and for-profit housing producers, then returned to full occupancy based on an appropriate reuse plan. A more ambitious city approach to property acquisition would also reduce the threat of acquisition by irresponsible investors, whose subsequent negligence generates excessive calls for police, fire, and other services and creates a significant code enforcement expense for the City.

Because property values are rising in Allentown, funds in a City-managed working capital pool for property acquisition could “revolve:” money earned through the sale of previously-acquired and improved properties could be used to purchase the next group of available properties.

Recommended Actions

To pursue acquisition opportunities, the City should consider the following actions:

- Create an acquisition working capital fund, with an initial capitalization of \$750,000, to support property acquisition through upset sale, free-and-clear sale, negotiated purchase, or eminent domain. Potential funding sources include Allentown’s casino share, aggressively collected rental fees, aggressively collected public nuisance abatement fees (which would also

obviate the need to budget \$250,000 yearly for nuisance abatement), and real estate sales to owner-occupants;

- Explore the possibility of obtaining a commitment from the County to offer the City right of first refusal on any Allentown properties listed for upset sale or free-and-clear sale;
- Review properties offered for sale on the private market and pursue opportunities to buy real estate with the best potential for development and reuse, as well as properties that are centers of criminal activity and/or properties that generate complaints and an associated excessive commitment of municipal services;
- On an annual or semiannual basis, provide the Redevelopment Authority with a list of properties to be acquired through eminent domain, based on their strategic importance to the neighborhoods in which they are located and on the lack of other means of obtaining these properties for appropriate development; and
- Streamline the Blighted Property Review Process in order to move blighted properties more expeditiously through the process, resulting in acquisition if the owner does not comply with code.

Photos at left show :

alleyway housing, 600 block N. Fair St. (top), garage conversion, 900 block N. 7th St. (center), garage conversion 700 block N. 5th St. (bottom)

INSPECTIONS

Mandated point-of-sale inspections will give the City vastly improved capability to identify and address safety and maintenance code problems at an early stage, before they become crises.

Many of the properties sold in Allentown every year are not in compliance with the allowable-use designations of the zoning code or with the minimum safety and maintenance standards set forth in the City's Property Rehabilitation and Maintenance Code, Health Ordinance, or Fire Prevention Codes. As a result, code violations persist and worsen to an extent that may endanger property occupants and residents of the surrounding community. Inflated sales prices associated with some investment properties reduce a buyer's ability to finance compliance-related repairs. In some instances, dangerous or illegal uses of properties can remain undetected and uncorrected for an extended period, increasing the possibility of building catastrophes.

Mandated Inspections

The City's Rental Unit Inspections Ordinance (Article 1759 of The Allentown Property Rehabilitation and Maintenance Code) requires inspections of all rental units within sixty days of rental unit transfer in order to re-license complied units in the buyer's name. However, due to staffing shortages, this provision of the Rental Unit Inspections Program has not been enforced consistently since the program began in 2000. This situation improved somewhat in 2007, when the City assigned one



Church Street

rental inspector to address this issue on a full-time basis. Because Article 1759 calls for the imposition of fees to pay for the cost of conducting these transfer inspections and resultant re-inspec-

tions, a more ambitious City response to the mandate of Article 1759 would have no adverse effect on the municipal budget: fee revenue would support program administration and operation.

Gap in the System

The City does not require any inspection of other types of properties—including owner-occupied, mixed-use, or non-residential properties—prior to sale. This situation places the City in the position of trying to catch up with safety and maintenance problems after sales transactions have been completed—and after the City has lost its ability to leverage compliance by requiring responsiveness to code issues prior to sale.



For sale property in Old Allentown

To address this problem, the City should require pre-sale inspections at the time when any property is listed for sale—before an agreement of sale is signed. In this way, reports of use, safety and maintenance code violations can be made available to prospective buyers.

Benefits to Buyers and City

This information can then influence buyer/seller negotiations and adjustments of sales prices to take into account the cost of correcting problems identified in the inspection report. Code corrections can then be financed without additional borrowing. In this way, buyers will benefit from the City's unbiased property evaluation while avoiding unanticipated code compliance costs after the purchase has been completed. The City will benefit by being involved on a periodic basis during a property's life and by having the ability to achieve compliance at an early stage without the need to resort to contentious enforcement actions.

Program Elements

The property inspection should focus on plumbing, electrical, structural, and mechanical systems, as well as on fire and life safety requirements, rather than addressing all the requirements of all applicable codes. Properties transferred through forced sales such as Sheriff's Sales, Judicial or Upset sales should also be inspected for compliance with the same use, safety and maintenance standards as soon as possible following the completion of the sale.



A property for sale with code violations on an Old Fairgrounds alleyway

A fee schedule should be established in order to self-fund the program and reward compliance while punishing non-compliance. For example, in cases where multiple re-inspections are required before owners reach compliance, fees should be set progressively higher as the number of re-inspections increases.

Violation Notices should have a compliance term of thirty days from transfer for all fire and life-safety violations and a term of sixty days of transfer for all other violations. This approach should reduce the accumulation of a backlog of non-compliant properties.

Next Steps:

- Draft an ordinance approving Article 1760 of the Allentown Property Rehabilitation and Maintenance Code, which has already been drafted by the City's Building Standards department.
- Staff the program to the level needed in order to achieve a seven- to ten-day inspection turnaround time to prevent delays in real estate market transactions. The number of inspectors, administrative support staff and supervisors can be based on the level of real estate sales, with existing staff time being re-assigned as needed.

OWNERSHIP

Through the implementation of targeted investment strategies, neighborhoods in Allentown's central core need to reduce the disproportionate number of existing rental units and restore a more effective balance between rental and owner properties.

Loss of Ownership

In postindustrial cities that have undergone decades of economic disinvestment—a loss of businesses, jobs, and people—neighborhood housing markets can become chronically depressed, as property values decline or remain stagnant for years. In these neighborhoods, owner-occupancy is likely to decline, as higher-income residents move out and more of the available housing is rented to individuals and families unable to afford to live elsewhere in the region.

Allentown is similar to other cities that are struggling with this pattern of disinvestment—but is different from most other postindustrial cities in one important respect: in Allentown, out-of-town investors are seeking to remake the city as a predominantly rental housing market, because rental housing is more lucrative for them. Although Allentown should welcome appropriate outside investment and cannot outlaw certain types of investment just because they are deemed potentially harmful, supporters of Allentown neighborhoods need to do more to offset these trends and restore a better balance between homeowner and rental housing.



Farr Lofts

Reversing the Trend

Substantially increasing owner-occupancy—reversing a years-long real estate trend—is a major challenge that will require the organization of a series of related initiatives that need to be implemented over a period of years. However, if organizing begins now, some promising results could be achieved in the short term, building a foundation for long-term success.



7th Street Gateway

Because homeownership initiatives vary in cost, scope, and impact, a strategy involving several activities can be launched during the coming years and adjusted periodically based on current resource availability and market opportunity. Specific initiatives that should be considered as part of such a strategy include the following.

- **Neighborhood house tours.** Using the successful Old Allentown model, organize annual house tours to show off existing owner-occupied homes and draw attention to for-sale homes on the same blocks or nearby.
- **Low-interest home improvement financing.** In coordination with a group of local lending institutions, design a home improvement loan program, administered by the lenders, that includes an interest-rate buydown financed by the City.
- **Urban homestead.** Revive the City-administered urban homestead program, successful in past years, through City acquisition of deteriorated properties that are subsequently conveyed for sweat-equity rehabilitation and subsequent owner-occupancy.
- **Moderate rehab by CDCs.** Provide a moderate City subsidy, to be combined with a rehabilitation loan, to enable a community development corporation to rehabilitate a vacant or very deteriorated house for owner-occupancy.
- **Strategic acquisition to strengthen for-sale housing market.** Proactively acquire properties that can supply a development “pipeline” for the preceding two programs.
- **Condo/loft development.** In coordination with real estate developers with related experience in other cities, conduct a survey of opportunities for adaptive reuse of older commercial and industrial buildings for condominium or loft development. Identify any regulatory issues (e.g., need for more flexibility in building/zoning code) and financing needs to be addressed in order to promote more development of this kind on or near retail corridors.
- **Deconversion financing.** Provide a combination of loan and grant financing to support the deconversion of multi-family properties back to their original single-family status and owner-occupancy.
- **Employer-assisted housing.** In coordination with local businesses and institutions, create a Center for Community Housing that promotes for-sale housing in Allentown, provides housing counseling services and do-it-yourself home maintenance training, and administers employer-funded homebuying incentives (such as a recoverable grant to finance a portion of down payment/settlement expenses). The Center would be a nongovernmental entity supported through a combination of public, private, and foundation funds.



*Top: property prime for deconversion
Bottom: former Americus Hotel at 6th and Hamilton Streets awaits reuse.*

INFORMATION

Because computerized real estate records maintained by the City, School District, and County are not integrated, public agency staff cannot obtain timely information about property ownership and occupancy.

Satellite Image: Google Earth™ and Google Earth Maps



(A) City Hall
435 Hamilton St.
(B) Allentown School
District Administration
Building
31 S. Penn St.
(C) County Administration
Building
17 S. 7th St.

*These three organizations,
like their information
systems, are separate,
but physically so close.*

Separate Systems

The City of Allentown, Allentown School District, and County of Lehigh maintain separate information systems that are not linked to one another. The City manages real estate records documenting code enforcement history and outstanding problems. The School District maintains public school registration records that show how many children are living at a particular address. The County maintains information about property ownership and real estate transactions.

Benefits of Integration

Integrating these systems would produce several benefits.

- With online access to School District registration records, City Code Enforcement staff could more accurately determine whether a particular property is legally occupied and/or is overcrowded, and City Planning staff could more effectively assess the need for developing new or expanded school facilities to accommodate changes in school-age population.
- With online access to City real estate records, School District staff could more readily identify the attendance boundaries within which newly-registered students' homes are located (at present, School District staff have to look up individual addresses in the Zone Code Book).
- With online access to real-time County information about real estate transactions, City Code Enforcement staff could inform buyers about code-related issues and take action to force negligent property owners to fulfill outstanding obligations (e.g., correct code violations, pay past-due taxes and fines) before acquiring additional real estate. If a coordinated information system were in place, a buyer would receive a notice of inspection one day after settlement, with an inspection to follow one week later. Early intervention of this kind would enable the City to take a more proactive, preventive approach to enforcing property maintenance standards.
- With broader access to property records and GIS software, city agency staff and community members could more readily map community assets and target neighborhood problems in support of neighborhood strategic planning activities (as described in the *Strategy* section).



Central Elementary School

To address these needs, the City, School District, and County should authorize designated staff as users of all three information systems. The City and County should establish a system for sharing information about pending real estate transactions so that outstanding issues associated with real estate owned by a prospective buyer or seller can be resolved before additional transactions are concluded or recorded.

Elements of a Property Information System

As a longer-term goal, the City and County should work together to develop a property information system with the following elements.

- A single data warehouse containing address-specific real estate records from all public agencies, updated periodically. In cities with well-organized information systems, updating occurs on a monthly basis, and plans for “real

time” updating are currently under consideration. The data can be readily displayed in text form and mapped through the use of a GIS application.

- User access to all public information about properties, including code enforcement history, tax delinquency, and fire incident history.
- Collaboration between public agencies and one or more academic institutions to design, develop, finance, and manage the system, as well as to train users, develop related applications, and support research on real estate investment and development issues.
- Design features and periodic training sessions to enable the independent use of the system by developers, community groups, and neighborhood planners, with little or no need for on-going support from public agency staff.

Two examples of information systems that possess these characteristics are NEO CANDO, developed at Case Western University and ParcelBase, developed at the University of Pennsylvania.

The Northeast Ohio Community and Neighborhood Data for Organizing (NEO CANDO), was designed in cooperation with government agencies by the Center on Urban Poverty and Social Change, a research institute housed at Case Western Reserve University’s Mandel School of Applied Social Sciences. NEO CANDO provides parcel-specific information as well as aggregated social and economic data for the seventeen-county Northeast Ohio region. The NEO CANDO home page can be found at <http://neocando.case.edu/cando/index.jsp>.

ParcelBase, a component of the Neighborhood Information System (NIS) created by the Cartographic Modeling Lab (CML) at Penn, is a data warehouse of City of Philadelphia real estate records, linked to a GIS computer mapping application. By entering a property address, an authorized user can view information on ownership, tax and utility status, as well as any code enforcement issues. The CML home page is <http://cml.upenn.edu>.



ParcelBase website

RECEIVERSHIP

Allentown should explore the use of receivership as a strategy for taking control of the most distressed or tax-delinquent rental properties.



Alleyway housing on the 500 block of N. Jute St.

Most-Neglected Properties

A small but significant number of negligent property owners in Allentown maintain many rental units in substandard condition, in violation of municipal codes. These negligent owners are responsible for conditions that exist in buildings that are most deteriorated, most overcrowded, and most likely to generate health, safety, or fire emergencies.

Negligent property owners take advantage of the fact that local government and the judicial system cannot move quickly to require timely completion of code-related repairs, extract heavy fines and penalties, or impose a jail sentence for noncompliance.

City Limitations

The lack of an organized, expedited City-managed blighted property review process increases the possibility that neglected properties will slip through the cracks and remain unnoticed until a crisis occurs.

- Until recently, the City did not have a large enough housing inspection staff to proactively conduct inspections of every rental unit in the city.
- Fines for noncompliance are imposed by a District Justice, not by the City. The process of obtaining a court hearing leading to the imposition of a fine is time-consuming—and a City inspector has to show up at the hearing in order to testify in support of the imposition of the fine.
- When a negligent property owner is brought before a District Justice, the focus of the hearing is determining how to correct the violations and achieve compliance rather than punishing the owner. As a result the imposition of big fines is rare, and the opportunity to jail even the most notorious code-violator is extremely rare.



Blighted property in Old Allentown

To respond more effectively to the worst cases of negligent rental property management, the City should pursue the opportunity to establish a receivership program, through which a judge takes a distressed or tax delinquent property from the control of the owner by appointing a third party (often a nonprofit developer) to oversee repairs, abate code violations, and maintain the property in a safe and habitable condition.

Characteristics of Receivership

The City of Allentown has the authority under several statutes to seek a receivership for tax delinquent or distressed properties, but has not made use of this authority and has not developed a process for doing so. There is no legal impediment to creating a receivership program in Allentown.

Receivership is very different from eminent domain in that the appointment of a receiver by a court does not change the ownership of a property. Instead, the court directs the receiver to abate those nuisance conditions caused by or present in a derelict, distressed, or abandoned property. Under the close supervision of the court, the receiver can incur costs to repair, board up, or, in some cases, demolish a building. The owner is charged with the abatement costs. In the event of non-payment, some states permit the filing of a nuisance lien that could result in foreclosure and the eventual sale of the property.

One example of a receivership approach is that set forth in the State of Ohio's Revised Code (Section 3767.41), which authorizes a municipality, nonprofit housing development corporation, or nonprofit organization, to file a civil court action to seek the appointment of a receiver to take control of a substandard building. In response to the complaint, the court can issue a civil injunction or abatement order that gives the property owner a reasonable opportunity to correct the problem. If the owner fails to comply, the court can appoint a receiver to secure and/or rehabilitate the property. Because the receiver's costs have a higher lien

priority than existing mortgages or other encumbrances, these costs must be paid before the owner can reclaim the property. Otherwise, receiver expenses can be assessed against the property and the judge can foreclose and sell the property to the municipality or a nonprofit developer.

For a property located in Allentown, the appointment of a receiver would have to be preceded by an equity action before the Court of Common Pleas. Because the issue of receivership in Pennsylvania has been researched extensively, the City and the judicial system could readily obtain information and guidance about the best ways to make use of existing receivership authorization in order to implement an effective receivership program.

To set the stage for a receivership program, as well as to support housing production by nonprofit development organizations, the City should revive and strengthen the blighted property review process that is already in place but is not being used aggressively. Through this process, every blighted property in the city should be identified through an annual review, and the City should take action to compel code compliance or acquire through receivership or one of the actions described in the "Acquisition" section.

ORGANIZATION

Designing and implementing an effective asset management strategy requires teamwork, collaboration, and a willingness to transcend geographic, political, and sectoral boundaries in order to pursue the best opportunities for investment and growth.

Who's in Charge?

Most municipal and county governments in Pennsylvania and other older states were founded and organized at a time when economic growth was, for the most part, steady and predictable. At that time, no one could have anticipated the scope and intensity of economic disinvestment that would persist in Allentown and other postindustrial cities for more than a half-century. For this reason, the enabling legislation, charters, and mandated organizational structures of older-city governments do not identify an official who is “in charge” of neighborhood reinvestment and do not specify the manner in which departments with different core missions—including police, fire, code enforcement, revenue, tax assessment, and housing—should work together in order to stabilize and strengthen the neighborhood economy. In significant respects, the traditional organizational structure of older city and county governments is not a particularly effective vehicle for addressing the relatively new problems that are now occurring in distressed urban communities.

New and old commercial structures adjacent to new and old residential buildings on Hamilton Street

A New Approach

The challenge of reinvestment requires more than the designation of a development czar or a commitment to improved public-service delivery. These responses made sense in the days when the local tax base was growing and cities could

count on a substantial level of federal and state aid. In today's economy, a more entrepreneurial, more collaborative, and more ambitious approach is needed.



Some of the most important organizational elements of an effective asset management strategy for Allentown's central-city neighborhoods are summarized below. During each year after these organizational elements are in place, Allentown's central-city neighborhoods will improve significantly.

- A commitment by City and County elected officials to support the strategy as a top economic development priority and to use their influence to enact supportive legislation, institute relevant new policies, and seek state government and private-sector support for the strategy.
- The authorization and appointment of an administrative board empowered to consider and rule on code-related complaints that do not require a court hearing.
- The strengthening of the county judiciary's capability to take on what is likely to be (in the short term, at least) a substantially increased code enforcement caseload.
- The designation of a person who is authorized to convene departmental directors in order to refine this strategy as needed, share information, resolve communication and coordination problems, and set and support implementation timetables.
- The design of a business plan to guide investment decisions associated with the property acquisition fund.



400 block of North 8th Street

- The assignment, on an annual basis, of a list of real estate acquisitions to be completed by the Redevelopment Authority in order to convey more properties more reliably to urban homesteaders, nonprofit development organizations, and private developers.
- The organization of a private lenders' task force to create, promote, and execute a home improvement loan program with city-subsidized interest rates.
- The creation of a property information systems committee, including managerial and information technology staff of the City, County, and School District, as well as information systems experts and technical support staff from area academic institutions, to design an integrated real estate data base linked to GIS computer-mapping software.

- The organization of a board of directors for a reconstituted downtown business improvement district, to include, among others, executives from the region's largest businesses and institutions.
- The creation of a structured working relationship between municipal government planning and development staff and community residents to support the completion of neighborhood strategic plans and the consideration of related opportunities. One example of the latter: the training of "citizen inspectors," community volunteers who assist the City in identifying potential housing-code problems for action at an early stage, before they become harder and more expensive to resolve (this approach has been implemented in the City of York and elsewhere).

Because a number of other cities have undertaken these actions in recent years, supporters of Allentown's central-city neighborhoods have an opportunity to examine this experience, communicate with leaders and managers in order to learn more about related impacts and outcomes, then determine which organizational and programmatic models are most relevant to Allentown. Through knowledge of others' past successes and failures, Allentown can achieve constructive results in a shorter time than has been possible elsewhere.

ALLENTOWN



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View north from center city

